

Cabinet



Title of Report:	Recommendations of the Performance and Audit Scrutiny Committee – 25 July 2019: Annual Treasury Management Report 2018-2019 (FHDC)	
Report No:	CAB/WS/19/021	
Report to and dates:	Cabinet	10 September 2019
	Council	19 September 2019
Portfolio holder:	Councillor Sarah Broughton Portfolio Holder for Resources and Performance Tel: 01284 787327 Email: sarah.broughton@westsuffolk.gov.uk	
Chair of the Committee:	Councillor Ian Houlder Performance and Audit Scrutiny Committee Tel: 07597 961069 Email: ian.houlder@westsuffolk.gov.uk	
Lead Officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	On 25 July 2019, the Performance and Audit Scrutiny Committee considered Report No: FRS/WS/19/001 , which had been scrutinised by the Financial Resilience Sub-Committee on 15 July 2019. The report provided information on the former Forest Heath District Council's Annual Treasury Management Report 2018-2019.	

Recommendation:	It is RECOMMENDED that, subject to the approval of Council, the Annual Treasury Management Report for 2018-2019 for the former Forest Heath District Council, being Report No: FRS/WS/19/001, be approved .		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
Consultation:	<ul style="list-style-type: none"> See Report No: FRS/WS/19/001 		
Alternative option(s):	<ul style="list-style-type: none"> See Report No: FRS/WS/19/001 		
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: FRS/WS/19/001 	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: FRS/WS/19/001 	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: FRS/WS/19/001 	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: FRS/WS/19/001 	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> See Report No: FRS/WS/19/001 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
See Report No: FRS/WS/19/001			
Ward(s) affected:		All Wards	
Background papers:		None	
Documents attached:		None	

1. Key issues and reasons for recommendation

1.1 Key Issues

- 1.1.1 Following the Financial Resilience Sub-Committee's consideration of Report FRS/WS/19/001, the Chair reported on the Sub-Committee's consideration of the report and recommendation.

1.2 Annual Treasury Management Report 2018-2019 (FHDC)

- 1.2.1 The former Forest Heath District Council's Annual Treasury Management Report for 2018-2019 included tables summarising interest earned and the average rate of return achieved during 2018-2019; investment activity during the year; investments held as at 31 March 2019; capital borrowing budget 2018-2019 and borrowing and temporary loans.
- 1.2.2 The budget for investment income in 2018-2019 was £224,000 (target average rate of return 0.75%). Interest actually earned during the financial year totalled £145,597 (average rate of return of 0.724%), against a budget for the year of £224,000; a budgetary deficit of £78,404.
- 1.2.3 The budgetary deficit was due to lower cash balances as a result of re-phasing of some income generating projects. These projects were budgeted to be funded through external borrowing, which would have boosted the cash balances and resultant interest. However, given the high cash balances of the council use of those cash balances was utilised resulting in a saving of the external borrowing costs over the short term. In addition, investments were made on a shorter term basis for liquidity resulting in lower yields.
- 1.2.4 The Sub-Committee had scrutinised the Annual Treasury Management Report 2018-2019 and asked questions of officers. In particular discussions were held on treasury management risks; the number of building society accounts held by the council; the council's treasury management team; how investments were made and the number of quotes required; the council's external treasury advisors; and how external and internal borrowing worked.
- 1.2.5 Detailed discussions were also held on the loan relating to Newmarket Leisure Centre; the reasons at the time as to why it had been taken out for 70 years; and the financial penalties involved if the loan was paid off early. Further queries were raised in relation to the Toggam Solar Farm, the projection on income; how energy prices were guaranteed; and the need to ensure the council received the best rate of return on its investments.
- 1.2.6 The Performance and Audit Scrutiny Committee considered the report and Committee has put forward a recommendation as set out on page one of this report.